Australian Government

**Australian Taxation Office**

Single Touch Payroll (STP) update

ABSIA Forum – Sydney 25 May 2016

Presented by: John Shepherd, Assistant Commissioner, Australian Taxation Office

Purpose

- What is in scope for STP?

- What benefits does it aim to achieve?

- Key implementation principles

- Key design features

- What we heard at consultation workshops

- Data requirements

- What is the small business pilot?

- Transition for larger employers

- STP consultation model
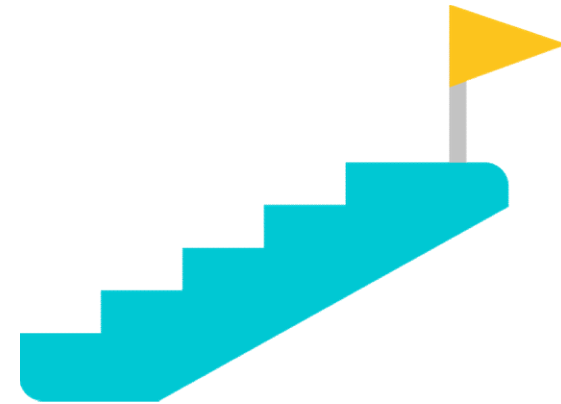
What is in scope for Single Touch Payroll (STP)?

- Single Touch Payroll is a government initiative that enables businesses and employers to report staff salary and wages (including ordinary time earnings) and PAYG withholding amounts to the ATO at the same time they pay their employees

- Superannuation contribution information is reported to the ATO when payments are made by the employer to the fund

- Employers will also have the option to pay their PAYG withholding more regularly, for example, at the same time they pay their staff

- For employers with 20 or more employees, STP reporting will be mandatory from 1 July 2018 (subject to legislation being passed). Businesses (with an STP solution) can choose to start STP reporting from 1 July 2017

- STP includes an optional streamlined process for individuals commencing employment. An employer can allow their employees to complete forms such as TFN declaration and Superannuation Choice using pre-fill in myGov or through their business management software

- A pilot will be conducted in 2017 to demonstrate the benefits for smaller employers.

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Single Touch Payroll (STP) timeline (indicative)

- ✅ From April 2017   Early adopter/production testing of STP

- ✅ From July 2017   STP available for employers with a certified STP solution to report on payroll event and offer new employee commencement process.

- ✅ June 2018 Employers with 20 or more employees required to use STP (subject to successful passage of legislation)

- ✅ Late 2016/early 2017   non-production pilot will seek to explore and confirm benefits of STP for those employers with 19 or less employees.

What benefits does Single Touch Payroll aim to achieve?

- Providing employees with visibility of their total year to date salary and wage income, PAYG withholding amounts and super guarantee contribution amounts as they accumulate

- STP will enable employers and employees to be more assured that all eligible businesses are meeting their obligations. With earlier warning, the ATO can better assist employers struggling to meet their PAYG withholding and super obligations

- To simplify business reporting for employers by leveraging the natural business processes of paying their employees, to meet their PAYG withholding reporting obligation at the same time

- Streamlining of employee commencement processes in relation to forms such as TFN declarations and Super Choice, making it more efficient for some employers and easier for employees to meet requirements through pre-fill in myGov or through their business management software

- The pilot will seek to explore and confirm benefits of STP for those employers with 19 or less employees.

Draft ATO design principles

- Embeds the change in natural systems associated with payroll event and online payment channels
- Seeks to drive positive behavioural change and good business practices rather than compliance-driven change
- Seeks to find low or no touch impacts on employers where possible
- Ensures there are no barriers to participation regardless of business size or scenario
- Facilitates customisation and tailoring of solutions by the market
- Engages trusted business partners in identifying solutions and developing our implementation approach
- Enables leveraging of existing SuperStream implementations where it makes sense and encourages innovation
- Phase 1 provides a building block for potential future phases to minimise re-work and enable incremental changes over time
- Start simple and iterate through gradually adding complexity.

Draft STP design features

Payroll event:

- Employers report salary and wage and PAYG withholding amounts when they pay staff
- Out of cycle payments can be reported at the usual (next) payroll event

Correction Service:

- Design will allow corrections in a way which aligns as best as possible with how corrections to payroll are made by businesses, for example:
  - prior period corrections in the current period up to a set threshold, or
  - Replacement of previously lodged reports at a whole of report or individual employee level

End of Financial year (EOFY):

- No payment summary required if last payroll event provides end of year position
- Employees (and agents) able to access their payment summary once employer marks the year complete (this can be at the employee level), and can use to pre-fill their tax return.
- Ability to provide further information after last payroll report, such as Fringe Benefit and salary sacrificed superannuation amounts
- Allow for adjustments after last payroll event for chosen employees, this can allow for an assurance process post the final pay report, either by the employer (or agent)

Commencement of a new employee:

- Employers can allow new employees to complete their forms such as TFN declaration and Super choice information online via myGov or in their Business Management Software.

STP design consultation workshops
Consultation in partnership with Treasury
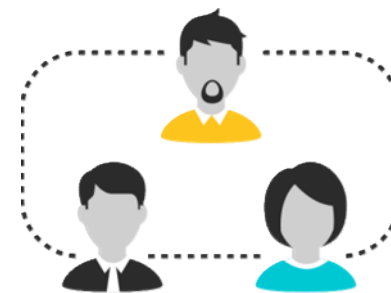
Industry including software developers and other potential STP solution providers, industry associations, financial institutions and intermediaries joined a session with the ATO and Treasury to hear about the design of STP and provide feedback.

Six sessions were held in Sydney (20-21 April), Melbourne (28-29 April) and Canberra (5 May). 58 industry participants shared their insights and thoughts regarding STP.

We worked through the following high level journey maps as a base:
- payroll process
- end of financial year (EOFY) process
- reporting superannuation to the ATO
- commencement of a new employee via myGov
- commencement of a new employee via BMS.

Key messages from the workshops

Important things we heard from participants

Flexibility
- require channel and reporting options
- what are the early reporting options?
- require reporting in between/out of cycle payments
- require exceptions processing
- need the ability to correct mistakes without penalty.

Design
- who will get this data?
- will it be designed around existing PAYG withholding, super obligations and business processes?
- what is the connection with Standard Business Reporting (SBR) and other business initiatives?
- how will it support agents processing on behalf of employers and allow the file to come from a third party?
- important to continue co-design engagement with industry and businesses impacted.
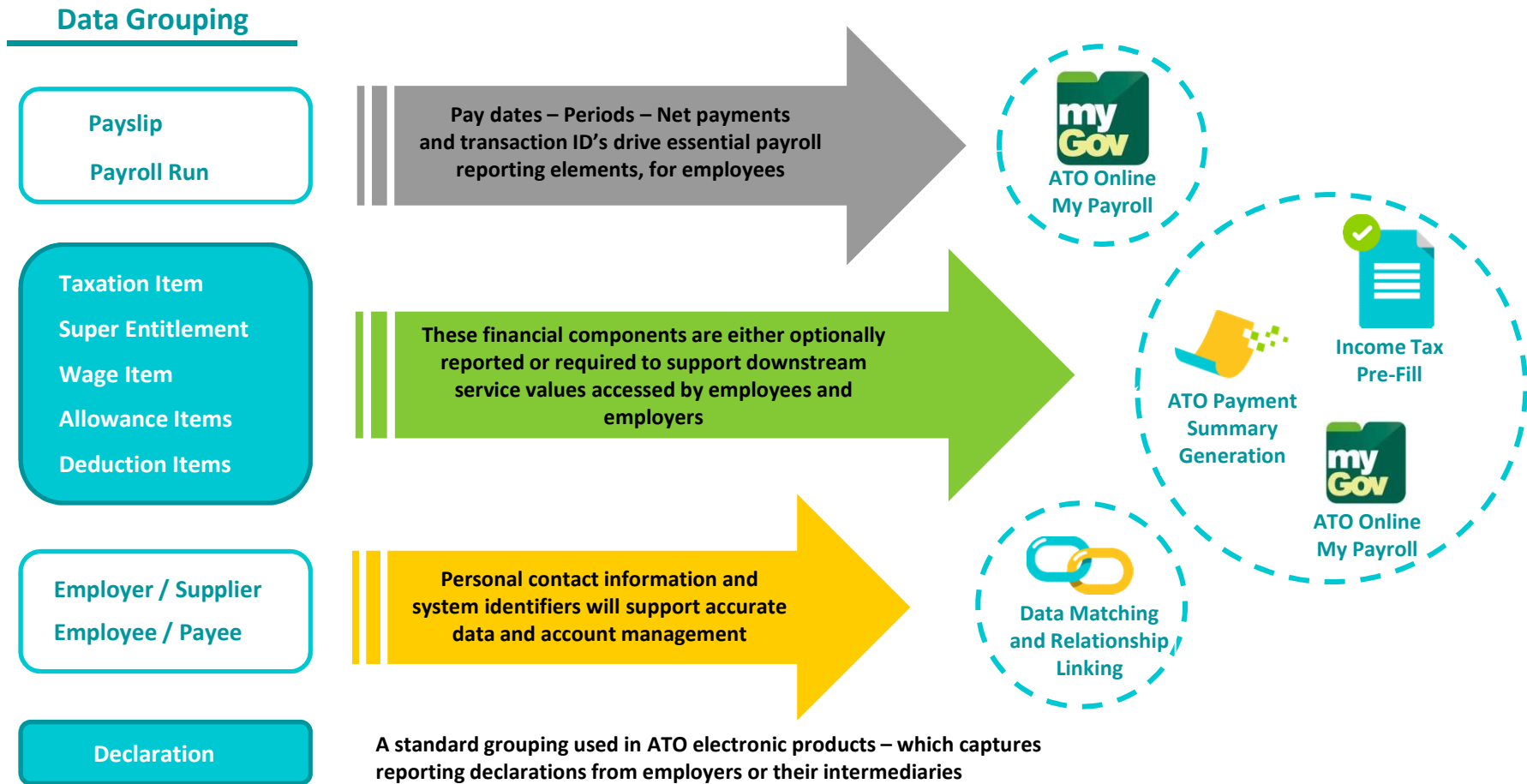
Client Readiness
- need for help and support products
- what is the data security?
- what are the data requirements and lead times?
- how are corrections and adjustments completed?
- what are the pilot benefits, timeframes, outcomes?

Clarity
- what is the government mandate?
- what are the security/privacy considerations?
- what is the pay date obligation – frequency of reporting?
- how will messages get to the ATO – SBR or other business initiatives?
- who is responsible for record keeping?
- how does an employee advise that PAYGW data should be shared with tax agents?

STP Payroll event data overview

Data Grouping

Payslip

Payroll Run

→ Pay dates – Periods – Net payments and transaction ID's drive essential payroll reporting elements, for employees

ATO Online My Payroll

Taxation Item

Super Entitlement

Wage Item

Allowance Items

Deduction Items

→ These financial components are either optionally reported or required to support downstream service values accessed by employees and employers

ATO Payment Summary Generation

Income Tax Pre-Fill

ATO Online My Payroll

Employer / Supplier

Employee / Payee

→ Personal contact information and system identifiers will support accurate data and account management

Data Matching and Relationship Linking

Declaration

A standard grouping used in ATO electronic products – which captures reporting declarations from employers or their intermediaries
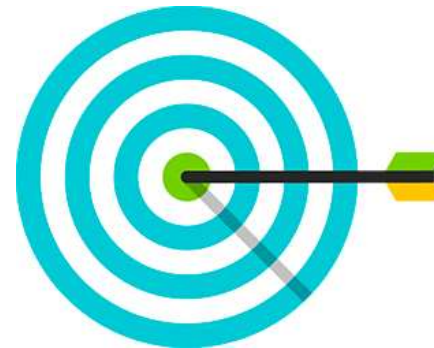
Single Touch Payroll: Small Business Pilot

The ATO will be conducting a pilot, with a focus on small employers, to demonstrate the deregulation benefits and test the support and education tools that would be required.

The STP pilot with small employers will demonstrate the concept for reporting payroll obligations

Goals

- Explore and confirm benefits of STP for business and employers of less than 19 employees

- Test the useability of STP for small employers with diverse business processes

- Enable innovation and agility

Single Touch Payroll: Small Business Pilot

Pilot approach

- Include a broad representation of small businesses

- Identify businesses and employers to take part in the pilot through relationships that exist with partners

- Working in collaboration with our partners to explore solutions that align with natural business systems

- Provide a simulated environment using prototypes rather than ATO systems

Variety of locations and different industry types	Small business experience opportunities	Small business process and priorities	Phased implementation and timing	Small business pilot

• Sample of businesses across Australia - metro and rural
• Businesses from each state and territory
• Business from different industry groups
• Diversity of turnover and employee volumes within small business
	• A simulated STP experience
	• Different scenarios; payroll providers, intermediaries, clearing houses
	• Controlled environment
	• Look and feel of the STP administration
	• Seamless entry and exit
		• Support models tailored for digital transaction maturity
		• Paper and electronic lodgers
		• Self preparers and intermediary clients
		• Different BAS obligations
		• Sensitive to commercial, industry and seasonal impacts
			• Increasing number or participating businesses
			• Support model in place
			• Numbers and timing will be influenced by partners
			• Accelerate piloting to accommodate industry readiness
				• Different for business sizes, models and operation
				• Small businesses with
				  • 1-4 employees
				  • 5-9 employees
				  • 10-19 employees
				• Simulated business process experiences and opportunities

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Single Touch Payroll:
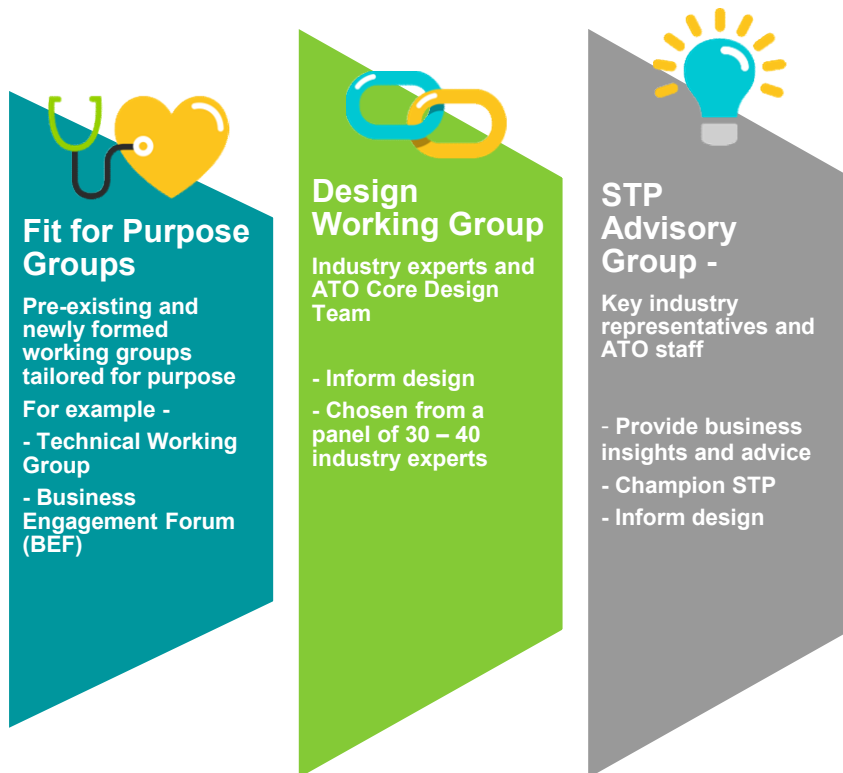# Large employer transition

- Goal is to facilitate an ordered and gradual transition
- Engage earlier adopters in a controlled environment and build learnings into future iterations
- Support beta testing with developers as required as well as against the ATO production environment
- Considering a staged transition:
  - medium employers – 50 to 199 employees
  - smaller medium employers – 20 to 49 employees
  - large employers - +200 employees
- We will be engaging with industry for the best way to manage this implementation.
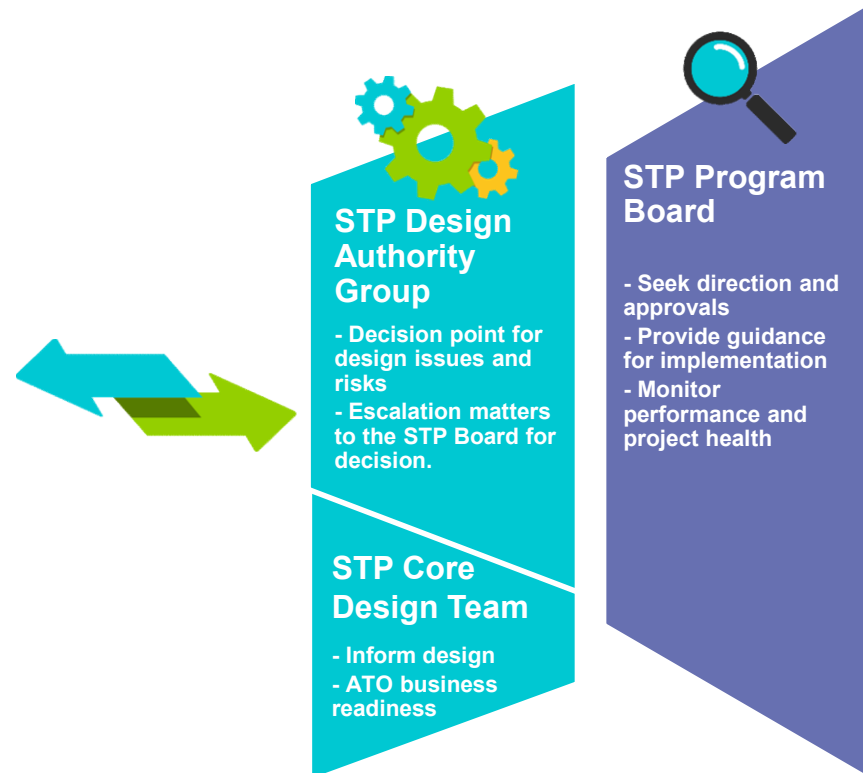
STP Consultation Model

We are in the process of updating our consultation model and it will include a broad range of stakeholders including software developers, other solution providers, businesses and industry associations.

Working with our partners

ATO Governance

Fit for Purpose Groups

Pre-existing and newly formed working groups tailored for purpose

For example -
- Technical Working Group
- Business Engagement Forum (BEF)

Design Working Group

Industry experts and ATO Core Design Team

- Inform design
- Chosen from a panel of 30 – 40 industry experts

STP Advisory Group -

Key industry representatives and ATO staff

- Provide business insights and advice
- Champion STP
- Inform design

STP Design Authority Group

- Decision point for design issues and risks
- Escalation matters to the STP Board for decision.

STP Core Design Team

- Inform design
- ATO business readiness

STP Program Board

- Seek direction and approvals
- Provide guidance for implementation
- Monitor performance and project health

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Next steps

The ATO is committed to continue to working closely with industry throughout the Single Touch Payroll journey.

Currently, we are in caretaker period as a federal election was announced for 2nd July 2016. The ATO is keen to continue the momentum these consultations have given us (within the constraints of caretaker conventions) and we are developing a list of priorities.

We plan to engage with the industry in June and July 2016 on:
- technical consultation package (taxonomy and software developers guide) draft to be issued mid June.
- engagement model details which describes our working group approach
- all aspects of the small employer pilot including but not limited to pilot approach, solutions and timeframes
- approach to 1 July 2017 commencement of STP

Questions?